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Corruption, Culture, and Conflict

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Corruption and Conflict

- According to Transparency International's (TI) Corruption Perceptions Index (CPI), countries experiencing or emerging from conflict are among the most corrupt
- Afghanistan, Iraq, and Somalia rank among the lowest of countries in a variety of corruption and economic indicators
- Conventional wisdom suggests that the conflict economy, coupled with weak state institutions, results in pervasive corruption
- Pervasive corruption results in impunity, incentivizing further conflict and corruption
- From this perspective, improving state institutions is key to reducing corruption and attenuating the incentives for conflict



Corruption and Institutional Capacity

- As private returns to corrupt behavior increase, the propensity to engage in corruption increases
- As the likelihood of detection or the consequences of corruption fall, individuals are more likely to engage in corruption
- As more individuals become corrupt, the transactions costs of being corrupt fall
- All these are related to weak state institutions, thus improving state capacity should reduce the propensity of public employees to be corrupt

- Our focus in many cases is on formal institutions, thus Rule of Law is a pillar of stabilization and reconstruction
- What about informal institutions? Behavioral rules, social preferences, and norms influence decision making





Culture, Corruption, and Conflict

- As violence occurs, uncertainty and myopic behavior increase, negatively influencing the social contract and aggregate norms
- Within group norms, however, are strengthened as individuals seek to reduce uncertainty by engaging with those of the same tribe, race, religion
- This creates a second incentive for corruption: the private returns and the reputation it provides within-group



- If we accept that cultural norms influence economic decisions, then corruption is influenced by cultural norms
- If we want to reduce corruption in a environment of high corruption, we must somehow orient social norms to focus on the higher, non-corrupt equilibrium
- “Such pathological social expectations can be changed only by someone who is perceived as an authority or leader and who can identify a better..equilibrium for them.”



Corruption, Culture, and Institutions

Institutional Capacity

- Attenuate the private returns to corruption by increasing detection and consequences
- This requires not only the passage of laws, but the fair application of the laws to all public employees regardless of rank, religion, tribe, or race
- Building institutional capacity requires time

Cultural Capacity

- Attenuate the reputational benefits of corruption by increasing the disutility of such behavior
- Leadership is required to develop and foster new cultural norms. Leadership may be formal or informal.
- We are asking for generational shifts in norms akin the drunk driving or cigarette smoking in the US